

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
/101 W

-----120050Z 015730 /66

R 112252Z FEB 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2439

INFO US MISSION GENEVA 973

US MISSION EC BRUSSELS 833

US DEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 1 OF 2 OTTAWA 560

E.O. 11652: N/A

TAGS: ETRD, CA

SUBJ: CANADIAN VIEWS ON MTN AND MULTIFIBER AGREEMENT RENEWAL

1. SUMMARY. IN DISCUSSIONS FEBRUARY 9 WITH MEL CLARK, DEPUTY, CANADIAN MTN DELEGATION, GENEVA, AND PERCY EASTHAM, GENERAL DIRECTOR, OFFICE OF GENERAL RELATIONS, DEPARTMENT OF INDUSTRY, TRADE AND COMMERCE (ITC), EMBOFFS FOUND HINT OF MORE FLEXIBILITY IN GOC NEGOTIATING STANCE IN GENEVA. ALSO GOC INTER-AGENCY DIFFERENCES ON RENEWAL OF MULTIFIBER AGREEMENT (MFA) ARE APPARENTLY NOT RESOLVED IN SPITE OF STRONG CANADIAN OPPOSITION VOICED IN GENEVA TO RENEWAL OF AGREEMENT WITHOUT CHANGES. END SUMMARY.

2. TAKING ADVANTAGE OF PRESENCE IN OTTAWA OF MEL CLARK, CANADA'S DEPTUY MTN NEGOTIATOR IN GENEVA, EMBASSY OFFICERS INVITED HIM AND PERCY EASTHAM, OFFICE OF GENERAL RELATIONS, ITC, TO LUNCH TO DISCUSS PROGRESS IN GENEVA  
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NEGOTIATIONS AND RELATED SUBJECTS AS FOLLOWS:

3. MTN FORMULA. CLARK WAS SOMEWHAT MORE OPTIMISTIC THAN WE HAD ANTICIPATED ON MTN PROGRESS. CANADIANS HAVE BEEN ENCOURAGED BY ATTITUDES THEY HAVE FOUND IN EC COMMISSION WHICH ARE MUCH MORE POSITIVE THAN WHAT THEY HAVE HEARD FROM FRENCH AND BRITISH AND,

CONSEQUENTLY, CLARK THOUGHT THAT AS SOON AS NEW US TEAM WAS FUNCTIONING, PACE OF NEGOTIATIONS WOULD ACCELERATE SO THAT BY JUNE/JULY REAL PROGRESS COULD BE MADE ON FORMULA, SUBSIDIES/COUNTERVAIL, PROCUREMENT AND OTHER MAJOR ISSUES EXCEPT AGRICULTURE AND PERHAPS VALUATION AND STANDARDS. HOWEVER, HE THOUGHT BOTH GOC AND EC WOULD PREFER TO DEFER BRINGING A FORMULA TO CAPITALS FOR APPROVAL UNTIL LATER IN YEAR WHEN HOPEFULLY THERE HAD BEEN SOME IMPROVEMENT IN GENERAL ECONOMIC SITUATION. CLARK DID NOT, OF COURSE, INDICATE CANADIANS WOULD SUPPORT U.S. FORMULA, BUT HE WAS CAREFUL NOT TO RULE OUT ITS ACCEPTANCE AND EMPHASIZED CANADA STILL WANTS AND INTENDS TO BE FORMULA COUNTRY. HOWEVER, AT SAME TIME HE REITERATED TWO BASIC OBJECTIVES OF CANADIAN POSITION, PARALLEL SECTOR NEGOTIATIONS IN NON-FERROUS METALS AND FOREST PRODUCTS AND ELIMINATION OF TARIFFS UNDER FIVE PERCENT. CANADIANS HAVE NOT RESPONDED TO OUR OFFER TO REVIEW LESS THAN FIVE PERCENT DUTIES ON ITEM-BY-ITEM BASIS BECAUSE THIS WOULD BE INCONSISTENT WITH FORMULA APPROACH, HE SAID. UNDER U.S. FORMULA, U.S. WILL GET MOST OF WHAT IT WANTS (BULK OF CANADIAN DUTIABLE IMPORTS FROM U.S. ENTER AT RATES ABOVE 6.7 PERCENT) WHEREAS CANADA WOULD HAVE TO BARGAIN FOR WHAT IT WANTS ITEM-BY-ITEM (SINCE BULK OF U.S. DUTIABLE IMPORTS FROM CANADA ENTER AT LESS THAN FIVE PERCENT), AND THIS WOULD BE UNBALANCED. CLARK EXPRESSED INTEREST IN WHEN U.S. EXPECTED TABLE ITS SECTORAL PROPOSAL ON IRON AND STEEL, NOTING LIMITED OFFICIAL USE

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THAT HE HOPED IT WOULD NOT SIMPLY BE THE INDUSTRY'S PROPOSAL WHICH HE THOUGHT QUITE INADEQUATE.

4. MULTIFIBER AGREEMENT (MFA). CLARK AND EASTHAM STATED CANADIANS WANT AGREEMENT TO PERMIT COUNTRIES WITH HIGHER DEGREES OF IMPORT PENETRATION TO APPLY LOWER GROWTH LIMIT OR EVEN A ROLLBACK. EASTHAM SAID PRESENT AGREEMENT PENALIZES COUNTRIES THAT TRY TO AVOID RESTRICTIONS FOR AS LONG AS POSSIBLE. BOTH REPEATED ARGUMENTS ARTHUR HAD MADE TO MIKE SMITH (OTTAWA 94) INDICATING NOTHING IN MFA FOR CANADA UNLESS TEXT IS MODIFIED. HOWEVER, FOLLOWING DAY GRAUER (COMMERCIAL POLICY, EXTAFF) MENTIONED TO EMBOFF DIFFICULTIES EXTAFF WAS HAVING WITH HARD LINE TAKEN ON MFA

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/101 W

-----120051Z 016041 /66

R 112252Z FEB 77

FM AMEMBASSY OTTAWA

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INFO US MISSION GENEVA 974

US MISSION EC BRUSSELS 834

US DEL MTN GENEVA

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RENEWAL BY ITC (PRESUMABLY LINE TAKEN BY AMBASSADOR  
GREY) AND SUGGESTED AMMUNITION WOULD BE WELCOME  
TO HELP SOFTEN ITC POSITION.

5. GOVERNMENT PROCUREMENT. ALTHOUGH NOT REVEALING  
ANY NEW CANADIAN POSITION ON GOVERNMENT PROCUREMENT  
(STATE 24788), CLARK DID IMPLY THAT GOC WILL BE MORE  
FLEXIBLE IN APPROACH, BEGINNING WITH SERIES OF  
INFORMAL MEETINGS WITH DC'S HOPEFULLY TO DEVELOP COMMON DC  
POSITION. HE TENDED TO DEPRECIATE VALUE FOR MTN OF  
WORK ALREADY ACCOMPLISHED IN OECD ALTHOUGH ADMITTING  
THAT OECD DISCUSSIONS HAD CLARIFIED THE ISSUES.

6. COMMENT. WHILE IT APPEARS GOC OPENING NEGOTIATING  
POSITION AT GENEVA HAS NOT CHANGED, CLARK SEEMED TO  
RECOGNIZE THAT SERIOUS NEGOTIATIONS WILL PROBABLY  
BEGIN AFTER NEW U.S. NEGOTIATING TEAM IN PLACE AND  
CANADA, AS MINOR PLAYER IN LEAGUE, WILL HAVE TO  
COMPROMISE SOMEWHERE. U.S. FORMULA, OF COURSE, COMES  
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CLOSER TO MEETING CANADA'S OBJECTIVES THAN THOSE OF  
EC OR JAPAN, BUT CANADA NOT READY TO COMPROMISE UNTIL  
HARD BARGAINING BEGINS.

7. EMBASSY FINDS FRG COMPROMISE PROPOSAL ON MFA  
RENEWAL PROBLEM (BONN 1937) INTERESTING. IF USG  
CONCLUDES SUCH A COMPROMISE IS IN U.S. INTEREST AND  
ONLY HOPE OF RENEWAL WITHOUG RENEGOTIATION OF ENTIRE  
AGREEMENT, EMBASSY SUGGESTS WE CONSULT WITH  
CANADIAN S TO SEE WHETHER THIS APPROACH WOULD MEET  
THEIR CONCERNS AND PERMIT THEM TO SUPPORT MFA  
RENEWAL. END COMMENT.  
ENDERS

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## Message Attributes

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**Disposition Approved on Date:**  
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**Type:** TE  
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**Review Markings:**  
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